

Message Text

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C O N F I D E N T I A L VALLETTA 1717

E.O. 11652: GDS

TAGS: EIND, MT, JA

SUBJ: INDUSTRIALIZATION: JAPANESE COMPETITION FOR US FIRM

1. IN INTERVIEW WITH ENGLISH LANGUAGE DAILY MALTA NEWS (GWU), TWO LONDON BASED OFFICIALS JAPANESE FIRM TOKO UK LIMITED, ENGINEERING MANAGER S. SANGUSA AND SALES MANAGER RICHARD SANDERS, SAID JAPANESE FACTORY WHICH WILL MANUFACTURE INTERMEDIATE FREQUENCY TRANSFORMERS-USED BOTH FOR COLOR AND BLACK AND WHITE TELEVISIONS- TO BE SET UP IN MALTA AND START OPERATION BY DECEMBER. NEW FACTORY, TOKO MALTA LIMITED, WILL BE BRANCH WORLD-WIDE TOKO COMPANY WHICH HAS SIX FACOTRIES IN JAPAN, THREE IN HONG KONG, THREE IN TAIWAN, AND OTHERS IN MALAYSIA, SINGAPORE, MEXICO, BRAZIL AND U.K. MALTA FACTORY TO BE HOUSED AT MARSA INDUSTRIAL ESTATES UNDER DIRECTION THREE JAPANESE OFFICIALS, INCLUDING GENERAL MANAGER Y. FUNAKA, AND EXPECTED EMPLOY 335 WORKERS, INCLUDING 300 GIRLS.

2. ACCORDING TO PRESS REPORT, SANDERS SAID PM MINTOFF HAS
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SHOWN GREAT INTEREST IN SETTING UP JAPANESE FACOTRIES IN MALTA.

LAST MAY MINTOFF HAD SEVERAL TALKS WITH PRESIDENT TO TOKO, M. TOIDA. DISCUSSIONS ON SETTING UP THE TOKO FACTORY BEGAN THIS YEAR DURING VISIT BY SEVERAL JAPANESE INDUSTRIALISTS, ACCOMPANIED BY JAPANESE AMBASSADOR (RESIDENT ROME) AND OTHER EMBASSY REPRESENTATIVES.

3. THIS JAPANESE ENTRY MALTA INDUSTRIAL SCENE WILL BE PRECEDED BY JAPANESE PARTICIPATION IN EXPANSION NEXT MONTH ALREADY ESTABLISHED JOINT US-MALTESE WOMEN'S CLOTHING MANUFACTURING CONCERN.

4. ONE OF THE LARGEST MANUFACTURING FIRMS ALREADY ESTABLISHED IN MALTA AND ONE OF THE COUNTRY'S LEADING FOREIGN EXCHANGE EARNERS IS US-OWNED GENERAL INSTRUMENTS EUROPE (MALTA) (GIE), WHOSE PRIMARY PRODUCT IS ALSO INTERMEDIATE FREQUENCY TRANSFORMERS. UNTIL PRESENT, GIE HAS ENJOYED ADVANTAGES OF LOCATION AND LOW LABOR COSTS IN PRODUCING FOR COMMON MARKET CUSTOMERS IN COMPETITION WITH TOKO. IT HAS SINCE ITS ESTABLISHMENT SEVERAL YEARS AGO SUCCEEDED IN GAINING TWENTY PERCENT OF THE EUROPEAN MARKET FOR INTERMEDIATE FREQUENCY TRANSFORMERS. GIE REPRESENTATIVES HAVE EXPRESSED CONCERN TO HIGHEST LEVELS OF GOM, EMBASSY CHAMBER OF COMMERCE, AND MALTA DEVELOPMENT CORPORATION THAT TOKO INC. MAY BE FOLLOWING GIE TO MALTA IN ORDER TO TAKE AWAY THE ADVANTAGE WHICH GIE MALTA LIMITED HAS AND TO RECAPTURE THE SHARE OF THE EUROPEAN MARKET WHICH TOKO LOST TO GIE. IN A MEMORANDUM ON THIS SUBJECT, A COPY OF WHICH WAS GIVEN BY THE LOCAL MANAGING DIRECTOR, TO THE EMBASSY GIE NOTES THAT "TOKO MANUFACTURES COILS IN JAPAN, TAIWAN AND SINGAPORE. COSTS OF PRODUCTION IN TAIWAN AND SINGAPORE ARE MUCH LOWER THAN MALTA. IT WOULD BE OPEN TO TOKO TO IMPORT 'UNFINISHED' COILS FROM THESE COUNTRIES AND SELL THEM AS ORIGINATING IN MALTA. THIS WOULD CREATE AN ELEMENT OF UNFAIR COMPETITION AND PRACTICE WHICH IT IS IN THE NATIONAL INTEREST TO AVOID."

5. COMMENT: WHILE WE HAVE EXPRESSED SYMPATHY FOR GIE MALTA'S ANXIETIES AND HAVE INDICATED OUR CONCERN TO PRIME MINISTER'S OFFICE, IT DOES NOT SEEM APPROPRIATE TO INTERVENE IN THE GOM'S EFFORTS TO BRING THIS NEW JAPANESE INVESTMENT TO MALTA. THE GENERAL MANAGER OF THE MALTA DEVELOPMENT CORPORATION HAS CONFIRMED TO THE ECONOMIC /COMMERICAL OFFICER THAT PM MINTOFF IS, IN FACT ACTIVELY INTERESTED IN ENCOURAGING FURTHER JAPANESE INVESTMENT, INCLUDING A POSSIBLE AUTO ASSEMBLY PLANT FOR RE-EXPORT

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TO THE COMMON MARKET. THERE IS, OF COURSE NOTHING NEW IN THE GOM'S EFFORTS TO ENCOURAGE JAPANESE INVESTMENT. THE MOST RECENT FRUSTRATED PROJECT WAS A PLAN TO HAVE JAPAN AIRLINES ASSIST IN THE ESTABLISHMENT OF MALTA'S NEW NATIONAL AIR CARRIER.(AFTER JAPAN DROPPED OUT ON THIS ONE, PAKISTAN INTERNATIONAL AIRLINES WAS AWARDED CONTRACT.)

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